



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL
FINANCIAL POLICY COMMITTEE

City of Morgan Hill
West Conference Room
17555 Peak Avenue
Morgan Hill, California

Chairperson:
Committee Member:
Committee Member:
Staff:

Council Member Steve Tate
Council Member Mark Grzan
City Treasurer Mike Roorda
City Manager Ed Tewes
Director of Finance Jack Dilles

REGULAR MEETING

Wednesday, July 27, 2005

MINUTES

6:01 P.M.

CALL TO ORDER by Chair Tate

Chair Tate & Committee Members Grzan & Roorda
Staff: Tewes & Dilles

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Financial Policy Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. **Approval of Financial Policy Committee Minutes of June 8, 2005**

The Financial Policy Committee minutes for June 8, 2005, were approved on a motion by Committee Member Grzan, seconded by Chair Tate.

2. **Revenue Enhancements & Review of Survey (Policy Discussion)**

Staff started the discussion by stating that staff and Chair Tate have talked with three firms (Center for Collaborative Policy, Viewpoint Learning, and Common Knowledge) regarding community conversation consulting and will be talking with a fourth firm (Community Focus) on Friday. Common Knowledge has indicated that they do not have the time right now to begin this project for the City.

Committee Member Grzan asked if any of the consultants indicated that there is enough time to complete the community conversation by next year. City Manager Tewes responded that the firms said there is sufficient time left. His goal is to provide a status report on this project to the City Council at their August 24 meeting and to kick off the project in September. City Manager Tewes stated that, to get the process started, Viewpoint Learning uses a briefing book test on a group of 30 community members for an entire day. This group would include community stakeholders and others.

Committee Member Grzan asked "If the community does not want a new tax, what would we do?" Chair Tate responded that that's what the community would tell us. Committee Member Grzan indicated that he wants the City Manager to prepare a base case as to what the city would do if a new revenue source were not forthcoming. He stated that something should be provided now, rather than waiting for a huge wave describing impacts in March. City Manager Tewes responded that the consultants have indicated that we should provide several options, where one option may be that it is okay to have slower police response times and more brown landscaping in City parks. This would be a values based approach to the level of services expected by the community. Committee Member Grzan indicated that he believes it would be a valuable exercise to show where specific expenditure cuts would be made if a new revenue source were not forthcoming. He believes that he would feel more prepared to engage in the community conversation and would like to do that. Committee Member Roorda indicated that he likes the values based approach which would mean more general categories for program reductions or increases. City Manager Tewes agreed that we need plenty of lead time if we need to document potential expenditure reductions. He asked if this is the right time to do that. He stated that reductions would be an internal political issue and such an approach would be inconsistent with City Council direction, where the Council has directed that there be no layoffs at this time.

Committee Member Grzan stated that he is scared, that there is a time to be scared, and that this is that time. City Manager Tewes indicated that this is the time to get the consultant on board and seek their guidance on how to inform the public. Committee Member Grzan stated that we should be serious and not just sugarcoat the issues. He

asked "Why not address the problems now?" Chair Tate stated that we can present the scenario as options. City Manager Tewes stated that the consultants say, in one conversation, we should provide choices to the community and we should explain the impacts of those choices to the community. Committee Member Roorda said that it is important that the consultant work with us to show the yin and yang of the whole picture. The community may be hurt either by paying more for services or by getting less services.

Committee Member Grzan asked about the feasibility of a property transfer tax as a new revenue generator for the city. Staff responded that a general law city, like Morgan Hill, splits with the county the existing transfer tax collected by the county. General law cities cannot legally increase that tax. Charter cities may implement, with voter approval, a higher tax, but when they do they give up their portion of the existing tax.

Committee Member Grzan also indicated that he wants to look at centralizing police dispatch operations. He explained that combining City dispatch operations with other county dispatch operations may save the City money. Further, he stated that costs are less in Monterey under a centralized format and that 22 jurisdictions are happy with the process. City Manager Tewes indicated such a review would be dependent upon the City's work plan and that other existing projects might need to be delayed.

The Committee agreed to hold a special meeting on Wednesday, August 17 at 6:00 p. m. so that a status report could be brought to the City Council on August 24.

3. Pension Obligation Bonds

Staff provided an overview of the benefits and risks associated with issuing pension obligation bonds. Discussion ensued. Committee Member Roorda stated that he wanted the Committee to consider this policy issue since he received materials about such bonds at a recent conference. Chair Tate indicated that he sees the risk involved but he needs more concrete information. The Committee agreed that Committee Member Roorda should work with staff to provide more specifics about such a bond issue and how it would work for Morgan Hill and that this subject should then be brought back to the Committee for discussion.

4. Property Tax Administration Grant Program Elimination (Policy Discussion)

Staff provided a brief staff report and explained that the Santa Clara County Assessor had written to the City Manager asking for support in restoring Property Tax Administration Grant Program revenues recently eliminated in the State budget. An amount of \$4.2 million that normally goes to the County each year was eliminated for 2005/06. The Assessor indicated that this will mean layoffs of Assessor staff and a delay in Assessor services, which will result in lower property tax collections for all jurisdictions. Staff indicated that this subject will be considered by the City Council on their agenda later this evening. The Committee unanimously agreed to recommend to the City Council that a letter be written to the Governor and to legislators asking that the funding be restored.

5. Preliminary Financial & Investment Report for June 2005

This item was briefly discussed. Staff stated that a final report for fiscal year 2004/05 would be brought to the Committee in August.

6. Future Agenda Items (Discussion)

None

ADJOURNMENT: 6:58 P.M.

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

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